

Message Text

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E.O. 11652: N/A

TAGS: EFIN, IV

SUBJ: AFRICAN EUROCURRENCY BORROWING

REF: YAOUNDE 4546

1. DISCUSSIONS WITH CITICORP AND OTHER BANK OFFICIALS OVER PAST SEVERAL MONTHS CONFIRM THAT TERMS OF LOAN PROPOSAL TO GURC CITED REFTEL ARE GENERALLY COMPARABLE TO THOSE CURRENTLY BEING OFFERED TO OTHER NON-OIL PRODUCING AFRICAN AND LDC GOVERNMENTS. RECENTLY TREND HAS BEEN TOWARD SIGNIFICANTLY SHORTER TERMS FOR EUROCURRENCY LOANS TO ALL BORROWERS. THUS, FOR EXAMPLE, WHERE IVORY COAST WAS FLOATING 10-YEAR ISSUES A FEW MONTHS AGO, LOANS BEING PROPOSED AND EXTENDED TO GOIC BY CITIBANK AND OTHERS NOW FALL IN THE 5-7 YEAR RANGE. INTEREST RATES BEING PAID BY GOIC ARE IN RANGE OF 2 PERCENT OVER LONDON INTER-BANK OFFERED RATE (LIBOR).

2. COMMENT: CITIBANK AND OTHHER U.S. BANKERS IN ABIDJAN NOTE THAT THE STILL UNCERTAIN PROSPECTS FOR WORLD, AND PARTICULARLY LDC, ECONOMIC RECOVERY, HAVE LIMITED ACCESS TO VERY LONG-TERM CREDIT TO PRIME BORROWERS,
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ALMOST EXCLUSIVELY FROM DEVELOPED COUNTRIES. OF

COURSE, THE HIGH COST OF SERVICING SHORTER-TERM DEBT
CAN BE A MAJOR FACTOR IN REDUCING THE RATE OF THAT RECOVERY
AMONG LDC'S. THUS BANKERS HAVE THEMSELVES COMMENTED
THAT LENDING AT THESE SHORT TERM RATES MAY IN SOME
CASES DO LDC'S MORE HARM THAN GOOD.
STEARNS

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